



REPUBLIC OF KENYA

THE NATIONAL TREASURY



KenGen
Energy for the nation



Olkaria PPP (BOOT) Geothermal Project

Descriptive Teaser



November 2019

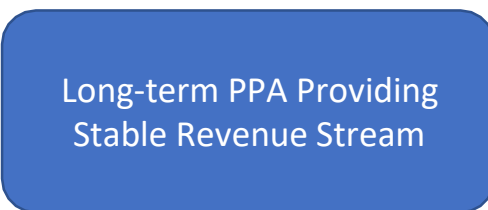

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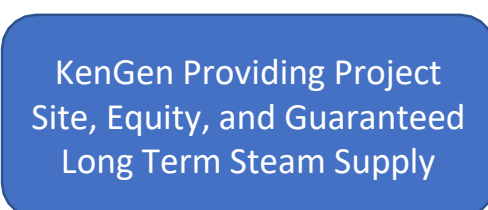

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Attractive Power Generation Opportunity in Kenya

Opportunity to enter a dynamic and growing energy sector with a greenfield renewable power generation project supported by a proven geothermal resource and a strong project partner and contractual counterparties

- Qualified international bidders will be invited to submit proposals for the opportunity to finance, build, own, operate and transfer (BOOT) a ~140MW geothermal power generation project (the “Project”) under a public private partnership arrangement with the Kenya Electricity Generating Company (“KenGen”).

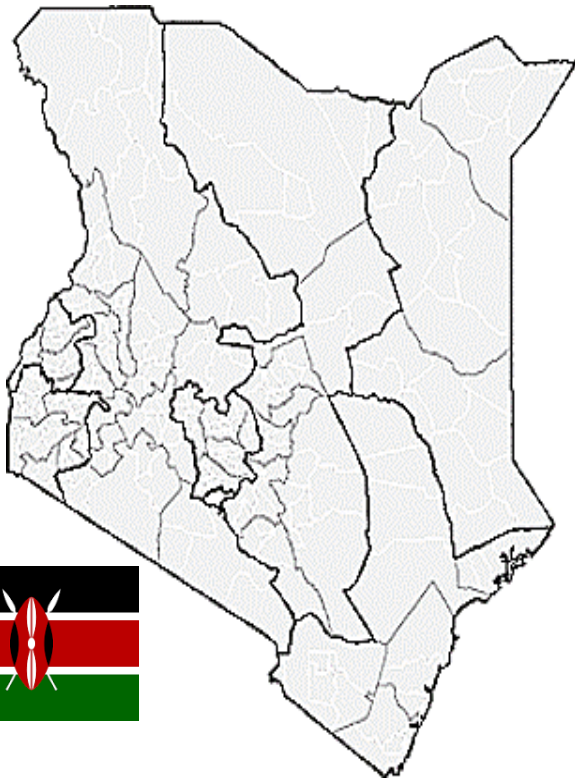
BOOT PPP Opportunity
Supported by the Kenyan
Government
- Stable revenues to be provided by a 25-year power purchase agreement with Kenya’s distribution utility (Kenya Power), and guaranteed steam from Kenya’s Olkaria geothermal reservoir via a long-term steam sale agreement whereby KenGen shall be obligated to supply the steam necessary to meet the Project’s PPA requirements.

Long-term PPA Providing
Stable Revenue Stream
- The Project will benefit from a pre-selected site, interconnection scheme, KenGen equity investment, and long-term steam supply based on pre-drilled wells sufficient to achieve target capacity with a 20% buffer.

KenGen Providing Project
Site, Equity, and Guaranteed
Long Term Steam Supply

Kenya – Country Overview

Credit Rating
B2 (Moody's). B+ (S&P)



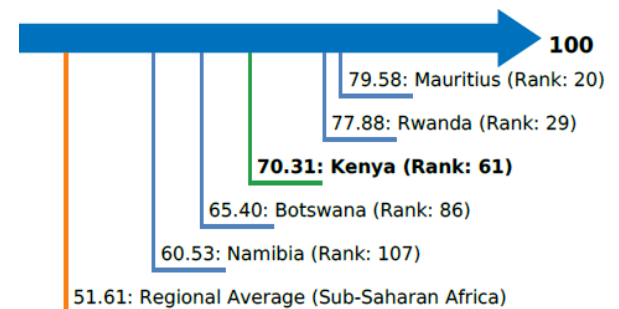
Population – 51 Million
GDP – US\$ 87.9 Billion

Strong economic growth



A Leading economy in East Africa

Ranked 61st on World Bank's Ease of Doing Business Rankings



The ease of doing business score ranks best regulatory performance observed on several indicators. An economy's ease of doing business score is reflected on a scale from 0 to 100 for a total of 191 countries

Electricity Sector Overview

Generation Capacity -----2,712 MW
Peak Demand -----1,882 MW
Growth -----8% p.a.
Access Rate -----75%
Universal Access Target-----2022



Source	Capacity (MW)	Generation (GWh)
Geothermal	663 – 24.4%	5,033 – 43.8%
Hydro	826 – 30.5%	3,741 – 32.5%
Thermal	808 – 29.8%	1,298 – 11.3%
Wind	336 – 12.4%	1,192 – 10.4%
Others	79 – 2.9%	60 – 0.5%
Imports		170 – 1.5%

KenGen is the largest player in the power sector with 70% of generation capacity

Geothermal accounts for 50% of Kenya's clean energy investments, \$3.4 billion between 2010 and 2018

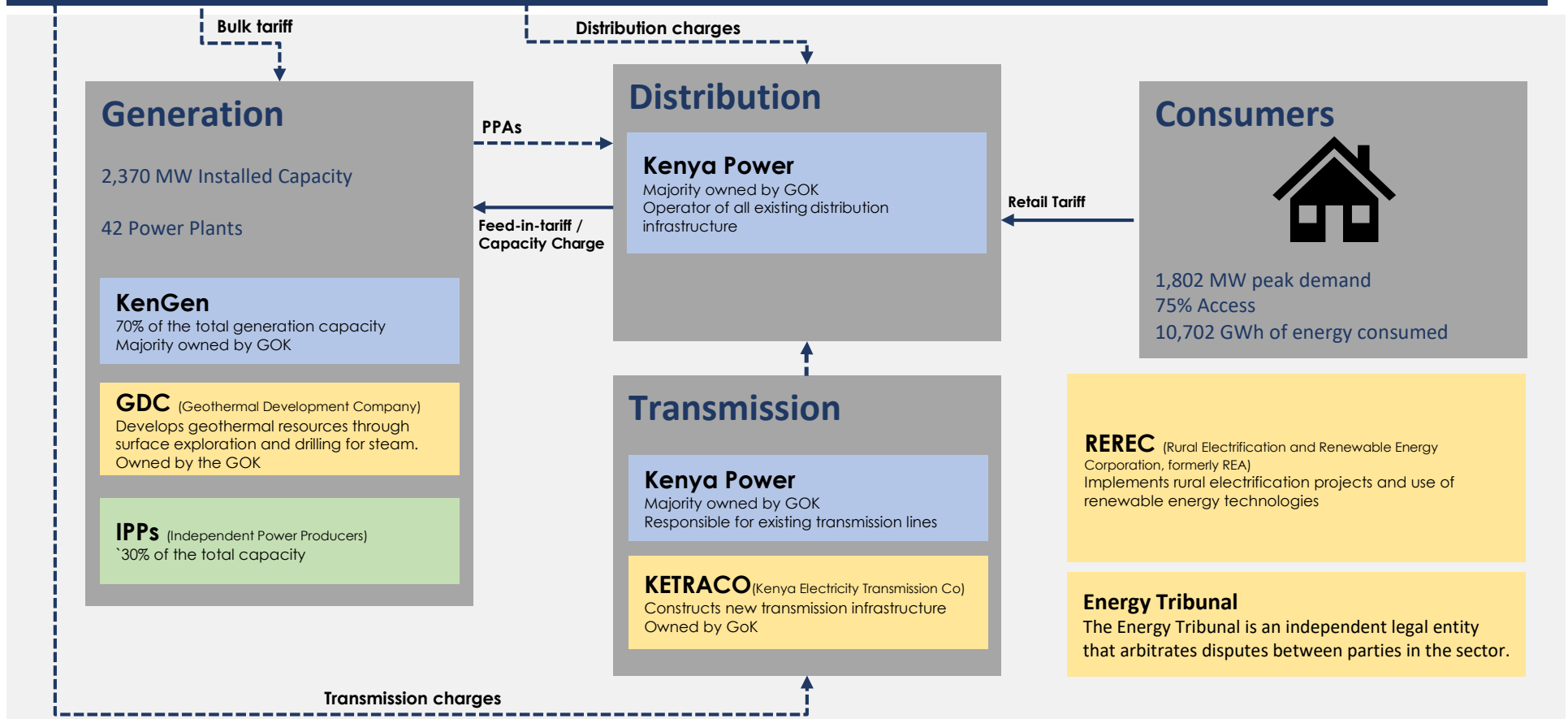
Kenya Power Sector

MOE

(Ministry of Energy). Responsible for creating policies that provide an enabling environment and growth of the power sector

EPRA

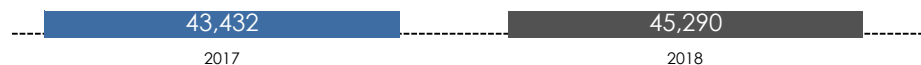
(Energy Regulatory Commission renamed to Energy and Petroleum Regulatory Authority). Responsible for electricity sector regulation.





- Largest power generation company in Kenya and East Africa
- 70% owned by the GOK
- Total installed capacity 1,631 MW
69% of total installed capacity in Kenya
 - Geothermal – 534 MW
 - Hydro – 820 MW
 - Thermal – 253.5 MW
 - Wind – 25.5 MW

Revenues (mm KShs)

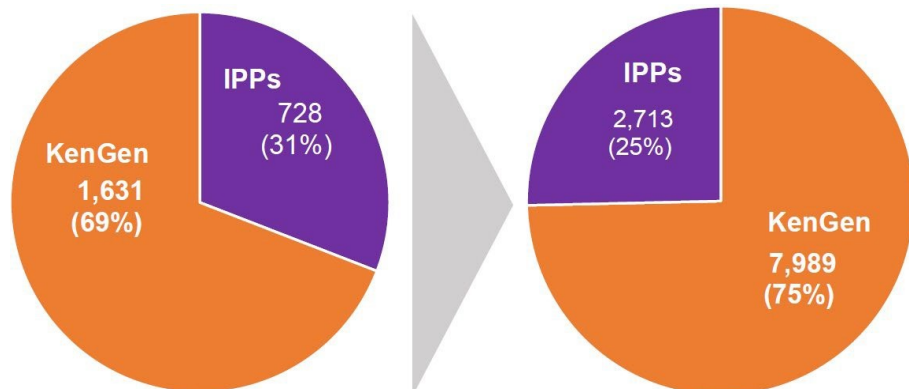


Profit before tax (mm KShs)



Installed Capacity (MW)

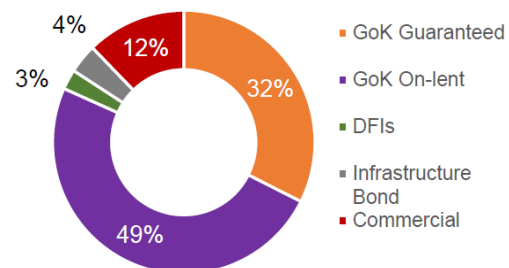
Generation Output (GWhs)



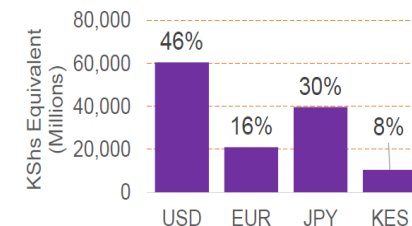
Source: KenGen. FY2018 Financial Results Presentation. Dated June 30 2018. Available at: <https://www.kengen.co.ke/sites/default/files/financial-reports/KenGen%20FY2018%20Investor%20Presentation.pdf>

Total borrowing: 121,288 mm KShs

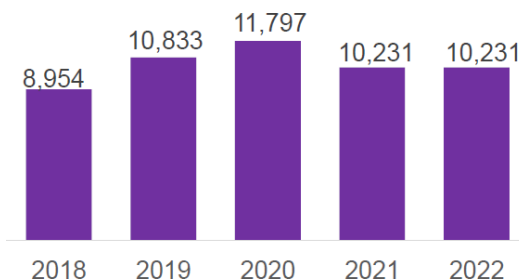
Gross debt by funding source



Funding Currency



Debt Maturity Profile (KShs mm)



Average age of maturity
15.3 years

Average cost of debt
3.10%

Olkaria Project Overview

Overview



First PPP project developed by KenGen under the PPP Act 2013

KenGen owns and operates 4 geothermal plants at Olkaria (450 MW)

Size

~140 MW

PPP type

Build, Own, Operate, Transfer (BOOT)

Ownership

Special Purpose Vehicle (SPV)

Procurement

Step 1 → Request for Qualification
Step 2 → Request for Proposal

Offtaker

Kenya Power

PPA duration

25 years

Steam Supplier

KenGen (25 years)

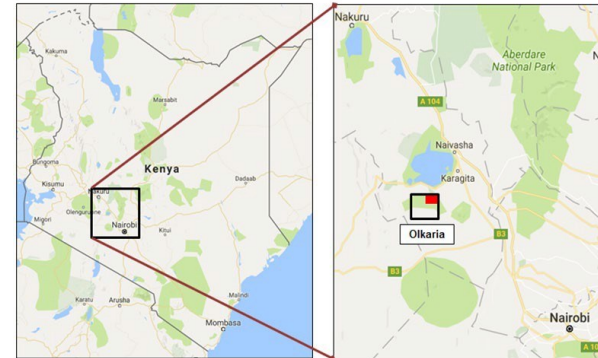
Location

120 km northwest of Nairobi

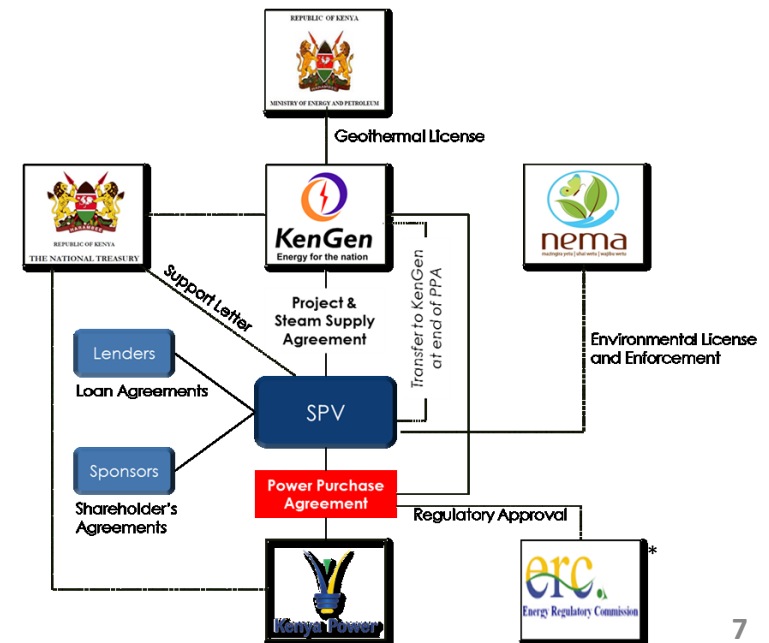
COD date

~3 years from financial close

Project Location



Project Structure

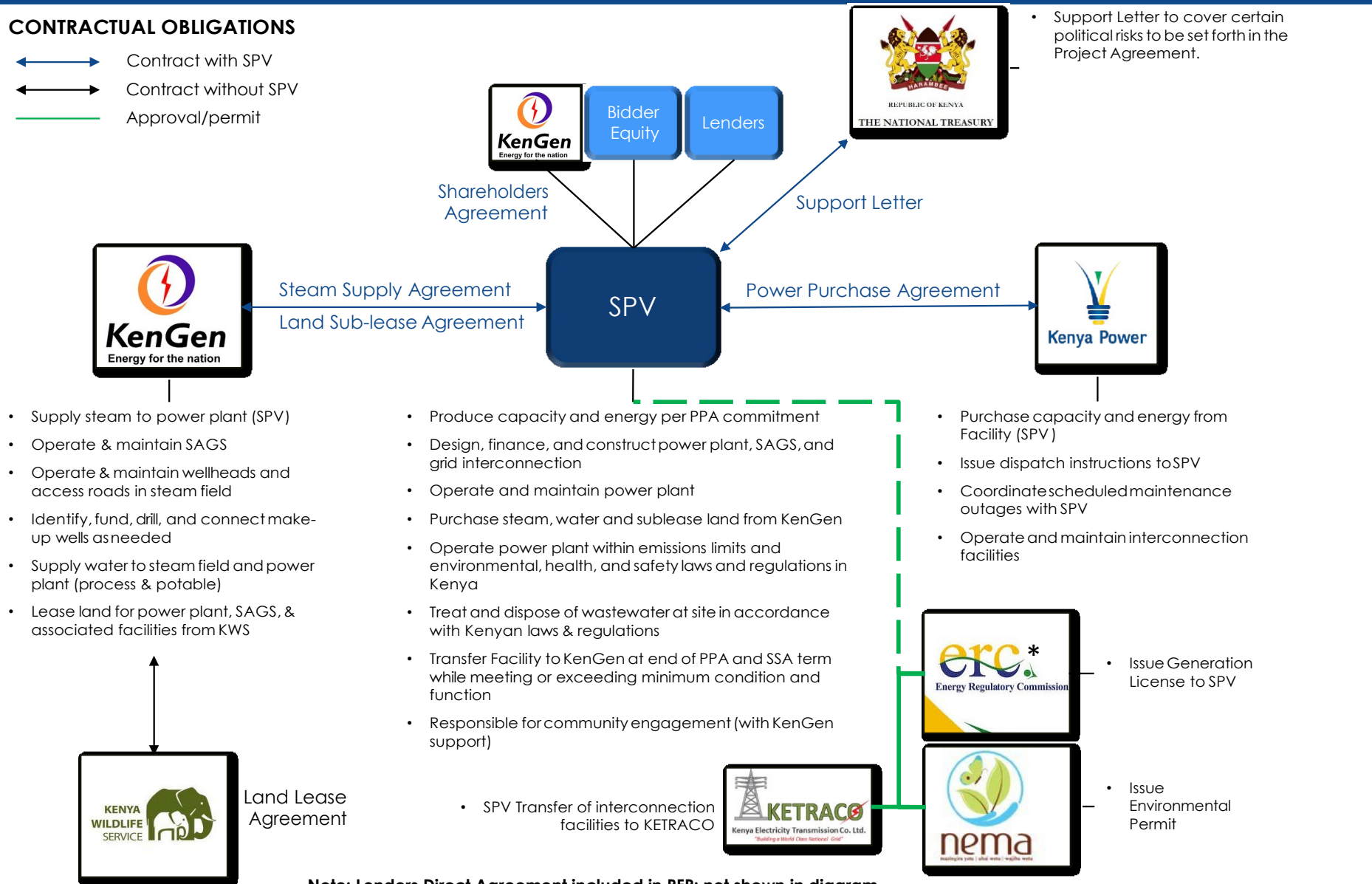


* Recently renamed the Energy and Petroleum Regulatory Authority (EPRA)

Contractual Structure and Risk Allocation

CONTRACTUAL OBLIGATIONS

- ↔ Contract with SPV
- ↔ Contract without SPV
- Approval/permit



Note: Lenders Direct Agreement included in RFP; not shown in diagram

* Recently renamed the Energy and Petroleum Regulatory Authority (EPRA)

Main Project Agreements

Purchase Agreement (PPA)

- Parties: Project Company SPV and KPLC
- US\$ denominated
- 25 year term
- Fixed and energy charges
- Customary financeable capacity and availability guarantees, and LD provisions

Project and Steam Supply Agreement (Project Agreement)

- Parties: Project Company SPV and KenGen
- US\$ denominated
- 25 year term
- Firm steam supply obligation with LDs for failure to deliver
- LDs payable to KenGen for deficient plant performance

Land Sub-Lease Agreement

- Parties: Project Company SPV and KenGen
- Term to match PPA and SSA

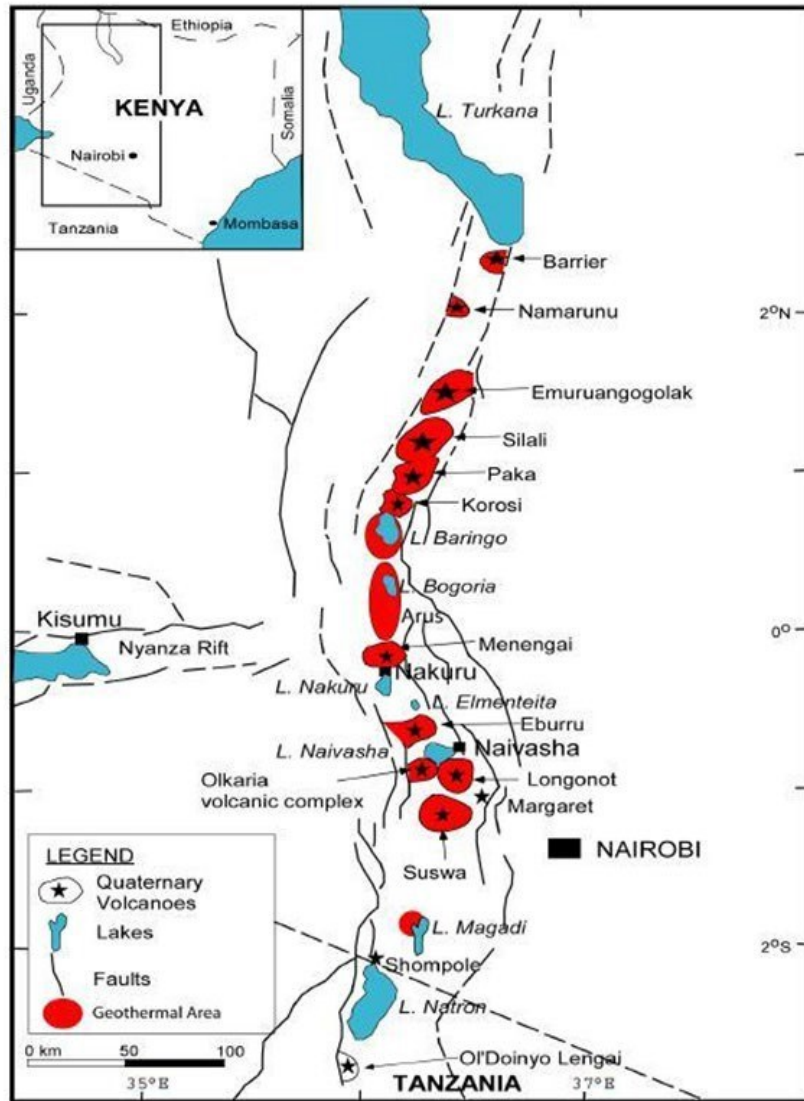
Shareholders Agreement

- Parties: KenGen and the awarded bidder (“SHA”)

Lenders Direct Agreement

- Parties: SPV, KenGen, Kenya Power, and the authorized agent for the Project lenders (the “Direct Agreement”)

Olkaria Geothermal Field and Project Site



Olkaria Geothermal Field

- The Olkaria geothermal field is in Naivasha, approximately 120 km northwest of Nairobi
- The entire Olkaria volcanic field covers an area of approximately 240 km² and is situated at an elevation ranging between 1,900 and 2,200 masl.
- The project wells have been pre-drilled to support target plant capacity plus 20% buffer
- The site is under long-term lease to KenGen

Olkaria PPP Project Site

- The Olkaria PPP project area is in the northeastern sector of the Olkaria geothermal field
- The power plant location is next to the existing Olkaria II power station
- Grid connection via a ~3.75km line to the Olkaria 1 AU
- The Project will connect into the Olkaria District 220 kV transmission infrastructure, which is centered on the Suswa switching station located approximately 30 km to the south of the Project site

Estimated Procurement Schedule

Procurement Process Stage	Estimated Date
RFQ Announcement	November 2019
RFQ Issuance	November 2019
RFQ Submission Deadline	December 2019
Qualified Bidder Announcement	January 2019
RFP Issuance	February 2019
Pre-Bid Conference	March 2020
RFP Proposal Deadline	June 2020
Selection of Preferred Bidder	August 2020
Finalization of Project Agreements	November 2020

Key Project Participants



REPUBLIC OF KENYA

THE NATIONAL TREASURY

The National Treasury will provide a Support Letter that covers certain political risks to be set forth in the Project Agreement. In addition, the Debt Management office at the National Treasury will monitor the contingent liabilities associated with this Support Letter and any other fiscal commitments made by the Government of Kenya.

REPUBLIC OF KENYA



MINISTRY OF ENERGY AND PETROLEUM

The Ministry of Energy and Petroleum has issued a geothermal resource license to KenGen for the development and utilization of underground resources in the Olkaria geothermal concession area. Furthermore, the MEP's Principal Secretary will support project decisions through its board representation at KenGen and KPLC. Lastly, the MEP will issue approval for the PPP Process under the PPP Act through its representation on the proposal evaluation team and the cabinet approval of the project.



KenGen will develop all steam production and reinjection wells, civil works, and associated steam field infrastructure (excluding the SAGS) to supply steam to the SPV under the SSA. Furthermore, KenGen will be responsible for the operation, maintenance, and management of the steam supply system up to the Delivery Point (at the outlet of the SAGS and inlet to the power plant). KenGen will also manage the procurement of the Project and will assume ownership and operations of the power plant at the end of the PPA term.



Special-Purpose Vehicle (SPV) will finance and construct the power plant, interconnection, and SAGS. The SPV will operate the power plant and sell electricity to KPLC under a PPA.



Kenya Power

Kenya Power and Lighting Company (KPLC) will purchase electricity from the SPV under a PPA, paying both energy charges for net output and capacity charges for the power plant's contracted capacity.



National Environment Management Authority (NEMA) will issue an environmental license to the SPV which will allow the SPV to construct and operate the power plant and associated facilities at the Project site. In addition, NEMA will review environmental compliance audits to enforce the Project's compliance with the environmental license.



Energy Regulatory Commission (ERC) will approve the PPA between the SPV and KPLC. Furthermore, the ERC will provide a power generation license to the SPV. Lastly, the ERC will participate in the proposal evaluation team during the PPP procurement process.

Disclaimer

This RFQ has been prepared by KenGen to provide prospective Bidders with general information regarding the Project and to specify the criteria to qualify for participation in a subsequent RFP. This RFQ does not contain, and does not purport to contain, all the information that may be required to submit a bid in relation to the Project. Some of the information contained in this RFQ has been obtained from third parties. KenGen does not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information contained in this RFQ, or subsequently provided to Bidders. This includes without limitation, any technical and financial information, estimates and projections, and any technical and financial information derived therefrom, and nothing contained in this RFQ is, or shall be relied upon, as a promise or representation, whether as to the past or the future. KenGen does not accept any liability for any loss or damage suffered or incurred by any entity or person associated with this procurement process or any of their respective officers, employees, servants, agents, representatives or advisors or any other person howsoever caused (including negligence) arising in connection with or in respect of (i) This RFQ including without limitation any statement, opinion or information contained in it or any error in or omission from this RFQ, or for any lack of accuracy, completeness, currency, reliability of any statement, opinion or information in this RFQ; (ii) The Bidder or any other person placing any reliance on any statement, opinion or information set out in this RFQ, or the accuracy, completeness, currency, reliability of this RFQ.

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